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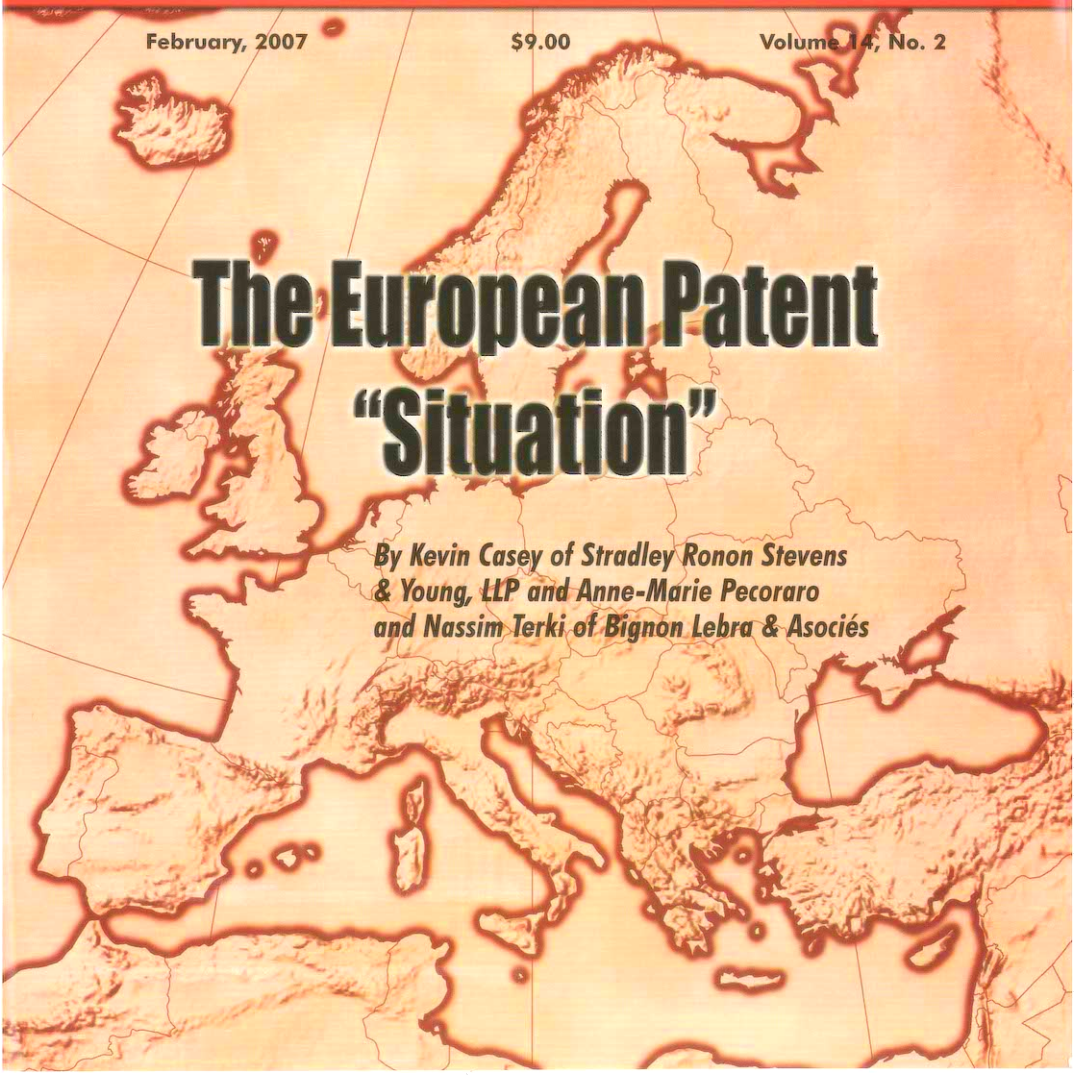

The European Patent "Situation"

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INTRODUCTION

U.S. companies that base their businesses on innovative technologies often protect their investment through patent protection in the United States. When those companies export their technology, or seek to license their patents abroad, they need to secure additional patent protection in their targeted markets because U.S. patents cannot be enforced beyond U.S. borders.[1] Once patent protection is secured in the foreign countries of interest, U.S. patent owners often must consider strategies to enforce those rights.

European and international companies alike continue to seek intellectual property protection with a single title covering the whole European continent. The establishment of a so-called Community patent has been delayed several times since the concept was first proposed more than 30 years ago. The existing European patent system and the to-be-established Community patent system seem to be complementary, and in the future the European Patent Office (EPO) should deliver both the European and the Community patent. To a certain extent, the European patent system has proven to work, even if it is regularly criticized. Nevertheless, it is obvious that the system must be improved, with specific emphasis on the judicial aspect. The proposition of 26 European judges on November 4, 2006, on rules and procedures of a European Patent Court appears to be a decisive step in this direction.

THE EUROPEAN PATENT SYSTEM AS SEEN FROM EUROPE: SOMEWHERE BETWEEN CRITICISMS AND GREAT EXPECTATIONS

The European patent is neither a national patent nor a unitary patent for the entire territory of the contracting states to the European Patent Convention (EPC). It is a mere granting system consisting of a single application process through either national offices (in France it is sometimes compulsory[2]) or the European Patent Office, which, eventually, centrally searches and examines applications for European patents. Title(s) granted may then be valid in the contracting states' territories specified in the application.

In a nutshell, the current European system has three main advantages thanks to the centralized application process: (1) cost reduction if the applicant seeks protection in more than three European countries; (2) a central grant procedure in one of three official EPO languages (German, French, and English); and (3) a high-quality prior art search and examination.

In reality, this system has led to a situation where a dual litigation system (the procedure is split between the EPO as to the validity of the title and national courts as to infringement issues) involves numerous drawbacks in terms of translation and litigation expenses (hiring of local attorneys and experts, payment of court fees in the states where the litigation is initiated).

Furthermore, the significant differences between the various national patent regulations lead to diverging and sometimes conflicting judicial decisions between contracting states. The same patent may be maintained in France, amended in Germany, and revoked in the United Kingdom. This is what we call "legal uncertainty."

Another drawback is forum shopping, whereby the most favorable national court to institute litigation is selected for proceedings.

These drawbacks reduce the incentives to apply for a European patent and undermine the competitiveness of the European economy, hence the need for new solutions, which have been in development for the past decade.

THE PROPOSED EUROPEAN PATENT COURT

Twenty years after the EPC came into force in 1977, the European patent system has proven to be, in some ways, unproductive, uncertain, costly and, as a result, criticized.

The EPC members tried to resolve those issues by the draft European Patent Litigation Agreement (EPLA), which is a proposed patent law agreement designed to create an optional protocol to the EPC which would commit its signatory states to an integrated judicial system, including uniform rules of procedure and a common appeal court.[3]

On February 16, 2004, a so-called Working Party on Litigation, mandated by the European Patent Organization Members in 1999 to propose draft texts on a patent integrated judicial system, came up with a draft statute for the European Patent Court.[4]

Finally, on November 4, 2006, 26 patent judges proposed rules and procedures for a to-be-established European Patent Court. These principles were adopted unanimously by judges from all over Europe pursuant to article 17 of the draft statute of the European Patent Court, which allows a committee of judges to draw up proposals regarding the rules of procedure for the European Patent Court.

This European Patent Court, under the aegis of the Court of Justice at Luxembourg, is a keystone for the creation of an integrated European judicial system as required by the contracting states of the European Patent Organization.

RULES AND PROCEDURES OF THE EUROPEAN PATENT COURT5

The European Patent Court would deal both with infringement and revocation actions (legal action on the patent title) on European patents, that is, with the whole patent litigation from the start of the procedure to the measures that can be ordered by courts. This European Patent Court would also deliver non-binding opinions on diverse points of European patent law to national courts, with a view toward harmonization, and would impose securities, sanctions and fines, and order provisional and protective measures.

At a lower level, the Court of First Instance with a Central Division at Luxembourg and a number of Regional Divisions located in the participating states would also have some jurisdiction. For instance, national courts would retain jurisdiction to order provisional or protective measures pursuant to their national law, and order seizure of goods.

Finally, a Court of Appeal would hear the challenges to first instance decisions and would also act as Facultative Advisory Council.

The procedure will be divided into three "three-month phases" (written, interim and oral) to ensure that a first instance decision is rendered within a year from the beginning of the procedure.

COEXISTENCE BETWEEN THE EXISTING EUROPEAN PATENT SYSTEM AND COMMUNITY PATENT SYSTEM

The European Patent Office is not a body of the European Union (EU). In fact, there are two international organizations and two projects that are developing separately. Therefore, the potential conflict between the EU's project with the expected "Community patent" and the planned European patent litigation system has been exacerbated because European patents will continue to be granted.

In theory, collaboration between the two organizations, whereby an applicant for a European patent might choose the European Community area, should be beneficial and is expected. In this direction, the EU Internal Markets and Services Commissioner, Charlie McCreevy, states, "the Community patent and the EPLA are not mutually exclusive initiatives; indeed, our aim should be to ensure that they converge."[6]

Nevertheless, in reality the EU looks unfavorably at the EPLA and, consequently, the European Patent Court. Some practitioners[7] even consider that there is a sort of quarrel between the OEB, which issues the European patent, and the EU bodies. For instance, the EU Commission has specified that pursuant to the Regulation (EC) 44/2001 of December 22, 2000, EU member states do not have the power to sign the EPLA.

One of the main issues is the Patentability of Computer Implemented Inventions (see part VI for an American perspective on this subject). The other is the lack of democratic control of the OEB system. In this context, even the European Parliament resolution of October 12, 2006, affirms that "there have been growing concerns about undesirable patents…in various fields and about a lack of democratic control over the processes by which such patents are granted, validated and enforced…[8]

The reluctance of the EU on the whole European patent system is, without any doubt, the main issue hindering the establishment and the authority of the European Patent Court.

However, some practitioners think that creating the European Patent Court will be helpful because it will reduce litigation costs by eliminating the division of the procedure for a European patent.

Others think, because the EPO has issued some patents based more or less on computer-implemented inventions and has ignored the European Parliament's rejection of the Patentability of Computer Implemented Inventions directive, the underlying risk is that the European Patent Court will validate such patents.

Others point out that the judges to be appointed will be chosen from the membership of EPO boards that issue the European patents, creating a lack of democracy and weakening the separation of power principle.[9]

THE U.S. WATCHES & WAITS

Meanwhile, the U.S. monitors the efforts "across the pond." There have been numerous attempts to break the political deadlock

in the debate on Europe's patent regime over the past 30 years. As Europe continues to struggle over the requisite language translations for a single Community patent, and whether a Community or a European Patent Court would be better or worse than the 25 or 31 national patent courts in the member states or EPC members, other regions around the world make strides that may leave Europe economically disadvantaged.

U.S. businesses, among others, have long complained about the fragmentation and inefficiency of the EU patent system. Equally troubling is the lack of a harmonized, EU-wide regime for solving patent disputes. In order to settle a legal disagreement over patents, parties are currently forced to obtain separate rulings in the different member states, an inefficient, costly and time-consuming exercise. The European Commission estimates that litigating a small-to-medium sized patent case in the United Kingdom alone can cost up to $2 million at the trial level and up to $1.3 million more before the appellate court. By comparison, a case before the European Patent Court, as proposed by the EPLA, might only cost up to about $500,000 at the trial court and under $300,000 at the appellate level.[10]

In addition to the economic concerns, the current European patent system raises peripheral issues for U.S. industry. The majority of patent applications filed worldwide are processed by one of three patent offices: the U.S. Patent and Trademark Office, Japan Patent Office and European Patent Office. These three offices formed a Trilateral Office in 1983 with the goal of cooperating in an attempt to coordinate their efforts in the patent field.[11] This task, and the related U.S.-focused task of fostering interests held by U.S. companies in Europe, is made more difficult by the lack of uniformity in patent law among European countries.

Until and unless the problems created by the fragmented European patent system are addressed, U.S. industry must adopt interim practices. For example, one practice addresses the problematic and substantial costs associated with obtaining patent protection and bringing enforcement actions in each country where patent infringement may occur. Some companies elect to reduce those costs, while maintaining relatively effective protection, by obtaining and enforcing patents in a few, key, strategic European countries. They may reason that patent protection and enforcement only in large EU markets such as Germany, the United Kingdom, France, and Italy provides cost-effective protection. Such a strategy precludes competitors in the pan-European market from exploiting the patented technology across that market.

Another practice focuses on the problem of enforcing patents in different national legal systems. Some large, multi-national companies are thinking about avoiding that problem by forming a group whose members agree to arbitrate their IP disputes (regional or even global) in one arbitration.[12] Thus, alternate dispute resolution techniques such as arbitration and mediation might help resolve patent disputes.

Even if a single patent and enforcement system were adopted in Europe through the EU or the EPC, all issues of concern to U.S. businesses would not be resolved. An important topic for U.S.-based industry is the patentability (or lack of patentability) of business methods, surgical methods, therapeutic methods and computer programs in Europe. Although inventions directed to such technologies are patentable in the United States, they are not in Europe.

CONCLUSIONS

Practitioners outside of Europe believe that, although it is unlikely that either the European patent or the European Patent Court proposal will succeed in the near future, it seems clear to all that the current European system cannot continue for the long term.[13] The system is chaotic and frustrating to industry. Charlie McCreevy told the EU foreign ministers, "there is an overwhelming desire for a patent system which is simpler [and] more cost-effective. . . What industry wants is a one-stop shop. People don't care how this is achieved. But they want action."[14]

The European perspective is more optimistic. The to-be-established European Patent Court is expected by European practitioners to become a new means to practice specializations outside of national borders and courts.

Patent administrators from the United States, Japan and Europe have affirmed that they need to coordinate their legislative and regulatory policies in our global economy, focusing on harmonization and the development of patent administration, to contribute to an increasingly effective and world-wide patent system in the 21st century.[15] Resolution of the current, fragmented patent "situation" in Europe would constitute a step in the right direction. IPT

ENDNOTES

1. Like other intellectual property (IP) rights, the rights conveyed by patents are specific to the country that grants them. As the value of patent portfolios increase in our modern global economy, one challenge is how to protect patent assets in a company's established foreign markets and from potential infringers. See generally International Patent Litigation: A Country by Country Analysis (BNA) (M. Meller ed., 2006 supp.). There are a few exceptions to the country-by-country rule of IP protection. It is possible, for example, to obtain one, European-wide trademark registration, through a European Community Trademark, that can be enforced in each of the 25 countries of the European Union.
2. Pursuant to article L. 1614-2 § 2 of the French Intellectual Property Code, the "application must be filed with the National Institute of Industrial Property if the applicant has his place of residence or business in France and is not claiming the priority of an earlier filing in France." On this subject, see Albert Chavanne, Jean-Jacques Burst par Jacques Azéma and Jean-Christophe Galloux, "Droit de la propriété industrielle, " p. 483 (2006, Dalloz).
3. See the Wikipedia encyclopedia entry for "European Patent Litigation Agreement" at <http://en.wikipedia.org>.
4. See the EPO Web site at <http://patlaw-reform.european-patent-office.org/index.en.php>
5. See the full text of the Principles Relating to the Rules of Procedure of the European Court at <http://www.ipeg.com/_UPLOAD%20BLOG/Venice%20Rules%20of%20Procedure,%202006.pdf>.
6. Tove Iren S. Gerhardsen, in Intellectual Property Watch, "European Parliament To Vote On Future Patent Policy Resolution" At <http://www.ip-watch.org/weblog/index.php?p=423&res=1024&print=0>.
7. Paul Van den Bulk, "Le projet d'Accord sur le règlement des litiges en matière de brevets : un sujet qui fache l'OEB et l'UE" at <http://www.droit-technologie.org/1_2_1.asp?actu_id=1217>.
8. See <http://wiki.ffii.org/EplaReso061012En>
9. According to article 2(b) of the draft statute of the European Patent Court: "Any person who has a good command of at least one of the official languages of the European Patent Office may be appointed as a judge of the European Patent Court, provided that he has sufficient experience of patent law and...has been or is a member of a board of appeal of the European Patent Office or a national patent office of one of the Contracting States to the European Patent Convention, ...
10. T. Buck, "Hopes fade for EU patents reform initiative," Financial Times (Dec. 6, 2006) <www.ft.com>.
11. See <www.trilateral.net>.
12. See Sir Robin Jacobs, "Intellectual Property in the New Millennium," speech available at <http://www.law.ed.ac.uk/script/newscript/noframes/nfonline.htm>, downloaded on December 23, 2006.
13. The European Commission said on December 7, 2006, that it would make a new proposal in 2007 designed to break a seven-year stalemate on an EU-wide patent scheme. "EC Will Offer New Proposal for E.U.-Wide Patent Scheme in 2007," Patent, Trademark & Copyright Journal (BNA), vol. 73, No. 1798 (Dec. 15, 2006).
14. "European Patent Court Delayed Again" (Dec. 6, 2006) available at <http://iplaw.blogs.com>.
15. See <www.trilateral.net>.